

REFERENCE TITLE: **property tax; exemption; veterans**

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HB 2792

Introduced by
Representative Carbone

AN ACT

**AMENDING SECTION 42-11111, ARIZONA REVISED STATUTES; RELATING TO PROPERTY
TAX EXEMPTIONS.**

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-11111, Arizona Revised Statutes, is amended
3 to read:

4 42-11111. Exemption for property; widows and widowers; persons
5 with a total and permanent disability; veterans
6 with a disability; definitions

7 A. The property of widows and widowers, of persons with total and
8 permanent disabilities and of veterans with service or nonservice
9 connected disabilities who are residents of this state is exempt from
10 taxation as provided by article IX, section 2, Constitution of Arizona,
11 and subject to the conditions and limits prescribed by this section.

12 B. Pursuant to article IX, section 2, subsection F, Constitution of
13 Arizona, the exemptions from taxation under this section are allowed as
14 provided in subsections C, D and E of this section.

15 C. The ~~property~~ PRIMARY RESIDENCE of a veteran with a
16 service-connected disability whose disability rating by the United States
17 department of veterans affairs is one hundred percent is fully exempt from
18 taxation. The surviving spouse of a veteran whose ~~property~~ PRIMARY
19 RESIDENCE is ~~eligible for RECEIVING~~ the exemption under this subsection
20 may continue to claim the full exemption FOR THE SURVIVING SPOUSE'S
21 PRIMARY RESIDENCE as long as the surviving spouse ~~uses the property as the~~
22 ~~surviving spouse's primary residence and the surviving spouse~~ does not
23 remarry. FOR THE PURPOSES OF THIS SUBSECTION, A PRIMARY RESIDENCE THAT IS
24 OWNED BY A VETERAN WHO IS ELIGIBLE FOR THE EXEMPTION UNDER THIS SUBSECTION
25 AND THE VETERAN'S SPOUSE SHALL BE TREATED AS IF OWNED SOLELY BY THE
26 VETERAN.

27 D. The property of a veteran with a nonservice-connected disability
28 whose disability rating by the United States department of veterans
29 affairs is one hundred percent or less or with a service-connected
30 disability whose disability rating by the United States department of
31 veterans affairs is less than one hundred percent is exempt in the amount
32 of \$4,188. The limit under this subsection is further limited by
33 multiplying the total exemption amount by the percentage of the veteran's
34 disability, as rated by the United States department of veterans affairs.

35 E. The property of a widow or widower or a person with a total and
36 permanent disability is exempt in the amount of:

37 1. \$4,188 if the person's total assessment does not exceed the
38 amount provided in paragraph 2 of this subsection.

39 2. No exemption if the person's total assessment exceeds \$28,459.

40 F. On or before December 31 of each year, the department shall
41 increase the following amounts:

42 1. The total allowable exemption amount under subsection D and
43 subsection E, paragraph 1 of this section based on the average annual
44 percentage increase, if any, in the GDP price deflator in the two most
45 recent complete state fiscal years.

1 2. Beginning in tax year 2026, the total assessment limit amount
2 under subsection E, paragraph 2 of this section based on the average
3 annual percentage increase, if any, in the federal house price index for
4 the two most recent complete state fiscal years.

5 3. The total income limit amounts under subsection H, paragraphs 1
6 and 2 of this section based on the average annual percentage increase, if
7 any, in the GDP price deflator in the two most recent complete state
8 fiscal years.

9 G. For the purpose of determining the amount of the allowable
10 exemption pursuant to subsection E of this section, the person's total
11 assessment shall not include the value of any vehicle that is taxed under
12 title 28, chapter 16, article 3.

13 H. Pursuant to article IX, section 2, subsection F, Constitution of
14 Arizona, to qualify for ~~this~~ AN exemption UNDER THIS SECTION, the total
15 income from all sources of the claimant and the claimant's spouse and the
16 income from all sources of all of the claimant's children who resided with
17 the claimant in the claimant's residence in the year immediately preceding
18 the year for which the claimant applies for the exemption shall not
19 exceed:

20 1. \$34,901 if none of the claimant's children under eighteen years
21 of age resided with the claimant in the claimant's residence.

22 2. \$41,870 if one or more of the claimant's children residing with
23 the claimant in the claimant's residence either:

24 (a) Were under eighteen years of age.

25 (b) Had a total and permanent physical or mental disability, as
26 certified by competent medical authority as provided by law.

27 I. For the purposes of subsection H of this section, "income from
28 all sources" means the sum of the following, excluding the items listed in
29 subsection J of this section:

30 1. Adjusted gross income as defined by the department.

31 2. The amount of capital gains excluded from adjusted gross income.

32 3. Nontaxable strike benefits.

33 4. Nontaxable interest that is received from the federal government
34 or any of its instrumentalities.

35 5. Payments that are received from a retirement program and paid
36 by:

37 (a) This state or any of its political subdivisions.

38 (b) The United States through any of its agencies,
39 instrumentalities or programs, except as provided in subsection J of this
40 section.

41 6. The gross amount of any pension or annuity that is not otherwise
42 exempted.

43 J. Notwithstanding subsection I of this section, income from all
44 sources does not include monies received from:

45 1. Cash public assistance and relief.

- 1 2. Railroad retirement benefits.
- 2 3. Payments under the federal social security act (49 Stat. 620).
- 3 4. Payments under the unemployment insurance laws of this state.
- 4 5. Payments from any veterans pensions.
- 5 6. Workers' compensation payments.
- 6 7. Loss of time insurance.
- 7 8. Gifts from nongovernmental sources, surplus foods or other
- 8 relief in kind supplied by a governmental agency.

9 K. A widow or widower, a person with a total and permanent
10 disability or a veteran with a disability shall establish eligibility for
11 exemption under this section by filing an affidavit with the county
12 assessor under section 42-11152 when initially claiming the exemption.
13 Each year thereafter, the person or the person's representative shall
14 annually calculate income from the preceding year to ensure that the
15 person still qualifies for the exemption and notify the county assessor in
16 writing of any event that disqualifies the person from further exemption.
17 Regardless of whether the person or representative notifies the assessor
18 as required by this subsection, the property is subject to tax as provided
19 by law from the date of disqualification, including interest, penalties
20 and proceedings for tax delinquencies. Disqualifying events include:

- 21 1. Except as provided in subsection C of this section, the person's
- 22 death.
- 23 2. The remarriage of a widow or widower.
- 24 3. The person's income from all sources exceeding the limits
- 25 prescribed by subsection H of this section.
- 26 4. The conveyance of title to the property to another owner.

27 L. Any dollar amount of exemption that is unused in a tax year
28 against the limited property value of property and improvements owned by
29 the individual may be applied for the tax year against the value of
30 personal property subject to special property taxes, including the taxes
31 collected pursuant to title 5, chapter 3, article 3 and title 28, chapter
32 16, article 3.

33 M. **THE PROPERTY TAX EXEMPTIONS PROVIDED IN SUBSECTIONS C, D AND E**
34 **OF THIS SECTION ARE EXCLUSIVE FROM EACH OTHER, AND** an individual is not
35 entitled to property tax exemptions under more than one category as a
36 widow or widower, a person with a total and permanent disability or a
37 veteran with a disability even if the individual is eligible for an
38 exemption in more than one category.

- 39 N. For the purposes of this section:
- 40 1. "Competent medical authority" means any of the following:
 - 41 (a) An individual licensed under title 32, chapter 8, 13, 14, 17,
 - 42 19.1, 25 or 29 or a comparable law of another state.
 - 43 (b) A registered nurse practitioner as defined in section 32-1601.
 - 44 (c) The United States department of veterans affairs, as evidenced
 - 45 by a disability award letter.

1 2. "Federal house price index" means the average measure of
2 movement of single-family house prices in the United States published by
3 the federal housing finance agency, or its successor, for this state.

4 3. "GDP price deflator" means the average of the four implicit
5 price deflators for the gross domestic product reported by the United
6 States department of commerce or its successor for the four quarters of
7 the state fiscal year.

8 4. "Person with a total and permanent disability" means a person
9 who is unable to engage in any substantial gainful activity, for pay or
10 profit, by reason of any physical or mental impairment that is expected to
11 last for a continuous period of at least twelve months or result in death
12 within twelve months as certified by a competent medical authority.

13 5. "Veteran" means an individual who has served in, and been
14 discharged, separated or released under honorable conditions from, active
15 or inactive service in the uniformed services of the United States,
16 including:

17 (a) All regular, reserve and national guard components of the
18 United States army, navy, air force, marine corps and coast guard.

19 (b) The commissioned corps of the national oceanic and atmospheric
20 administration.

21 (c) The commissioned corps of the United States public health
22 service.

23 (d) A nurse in the service of the American red cross or in the army
24 and navy nurse corps.

25 (e) Any other civilian service that is authorized by federal law to
26 be considered active military duty for the purpose of laws administered by
27 the United States secretary of veterans affairs.

28 Sec. 2. Applicability

29 This act applies to tax years beginning from and after December 31,
30 2025.

31 Sec. 3. Emergency

32 This act is an emergency measure that is necessary to preserve the
33 public peace, health or safety and is operative immediately as provided by
34 law.